

W-02500A-10-0382

ORIGINAL



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ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

Investigator: Jenny Gomez

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2011 - 93514

Date: 2/24/2011

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: Wm S. T.

Mayhall, MD

Arizona Corporation Commission
DOCKETED

Account Name: W, S. T. Mayhall, MD

Home: (000) 000-0000 MAY 4 2011

Street:

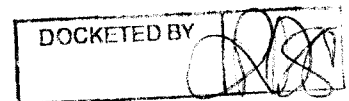
Work:

City: Tucson

CBR:

State: AZ Zip: 85739

is:



Utility Company: Goodman Water Company

Division: Water

Contact Name:

Contact Phone:

Nature of Complaint:

Reference: Goodman Water Co. W-02500A-100382*****OPPOSED*****

Sirs,

Please see my response to the letter sent from Goodman Water. My opinion is that this company is not deserving of any rate increase. The company has not per-formed on its promises and is over-priced, and poorly maintained.

Wm S T Mayhall, MD

Note: please enter into "the record".

Sirs: the following are my reasons for suggesting that the ACC not approve the requested rate increase and suggest that the ACC decertify Goodman Water (GW) as the sole water provider for The Eagle Crest developpment.

I believe that the rate increase is unjustified, inappropriate and excessive. In addition, GW has a history of not doing work that should have been done and, indeed, has been promised to the community. In addition, it appears that GW has not lived up to it's contractual obligation regarding it's payment to the HOA regarding issues concerning the entryway monument area.

Please consider the following:

1. At a meeting this past fall Mr. Sears spoke on behalf of GW. He was asked about what the relationship of GW to DR Horton (DRH), the original "Declarant". He stated that GW had always had an "arms length" relationship with DRH. He later stated that DRH had owned about "1.5%" of GW. Now they owned none. How can GW have an arms length relationship with DRH if they own any part of GW? This doesn't make sense and exhibits the type of "double talk" we seem hear form GW.

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2. From the accountant's presentation, it appeared that some \$2 million of infrastructure was taken over by GW. Did this come from DRH? Can this be considered "arms length" vs a significant relationship? And, as the ratepayers and owners of property in Eagle Crest Ranch (ECR) paid for this infrastructure via our purchases of houses, why did this money and infrastructure go to Gwinstead of the owners of property in ECR!

3. At this same meeting Mr. Sears stated the system was not overbuilt after a question was ask regarding an allegation that the system would handle 1850 homes. Eagle Crest Ranch is scheduled for (approx.) 950 homes. This 1850 homes figure comes from an ACC document! Mr. Sears stated that he didn't know where the 1850 number came from. He also stated the system was not overbuilt but indicated it had been built with a little extra capacity for a small area which didn't come to fruition. We were later informed he had an option on land west of Oracle road, which would have been approx. 450 homes! Also, he apparently owns 70 acres bordering Oracle road for commercial development. We suspect that GW has been overbuilt to supply to commercial area at our expense! The homeowners should only pay for their water supply- not or twice as many homes and a commercial area, which currently doesn't exist! GW should accept the risk and expend its own money for future developments and not have the current owners pay now for others in the future!

See documentation of above: The extra 450 Homes: The Proposed Expansion Docket W-2500A-05-0443 6/17/05 Goodman Water Company files to extend its CC&N for 188 acres on land west of current location on the west side of SR77. It projects 450 new customers and 27 acres of commercial property within five years and requires a new 800 gpm well and a 530,000 gallon storage tank. (Later revised to a 340K tank & Pump Station \$940,000)

See documentation of over building and excess capacity:

GWC built a water plant with capacity for 1,800 homes but we only have 650 homes built. This is approximately 200 more homes since our last rate increase in 2007. See Docket No. W-02500A-06-0281: Decision #69404. The total development build out is 920 homes. This is almost a 100% over capacity. See Document No. 116091, dated 9/2/10 attached. We should not have to pay "bailout" money for any speculative overcapacity built by GWC though rate increases.

4. I feel GW has not lived up to their obligations:

A. There is an entryway monument with a water feature at the entrance of ECR. The contract with GW apparently states the HOA is to "maintain" the area. There is a fountain. It had a pump failure a few years ago and that was to be replaced at a cost of \$6000. About that time the community voted to turn of the fountain as it cost about \$1100/mo. In water cost. The then director of the HOA and new "Declarant", Todd Bowden, had it turned off. We felt this water was wasted. GW stopped their yearly payments of \$15000 to the HOA in retaliation for turning of the water. Eagle Crest Ranch residents want to save water and expenses, but GW wants us to pay to waste water! This shows the true nature of GW. They want to waste water and have us pay for it! (Later, when one resident investigated the amount of water lost with this system it was indicated that the type of pump used was so wasteful of water that they are not permitted in So. California)

B. On Mountain Shadow DR. there is an area in front of a GW facility that has a steep bank that is not finished with "ripwrap". Gravel and debris continue to "leach" out onto the sidewalk making for a dangerous area for walkers on the sidewalk on the steep hillside. It was reported by the HEAC that GW was going to fix this by Oct. 2010. To date, this has not been done. This continues to be a dangerous area to walk; this shows GW is disingenuous in its dealings with the HOA.

See notes from recent HEAC meeting:

The HEAC descussed posting a "loose Rock" sign at the water station. Goodman Water made an attempt to clean up the loose rock by the water station but the cleanup was not to the Association's satisfaction. Jason Marx contracted AAA to clean the sidewalks in the water station area.

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5. The recent failure of the system is of concern. There was, reportedly, a major failure of the system due to the recent freeze. When our house had no water, we called GW and we were told there may be a pump failure. No other information was given. It was left to us to find out if we had local freezing pipes or if the GW failure affected our house. Later, we got an unsigned letter from GW congratulating themselves on a self-engineered system and rapid repair of its failure! If it was so well built why did it fail? Please see the letter I wrote to GW:

Tucson, AZ

Goodman Water Company

Sir,

I received your undated and unsigned letter on Feb 10, 2010. I have some comments regarding this letter as it appears to me to be quite self-serving and probably inaccurate. I don't question that this was hard freeze and you and extensive damage. Observers in Eagle Crest have reported evidence of quite an extensive loss of water and multiple persons repairing the damage. However I question the assertion that "some engineering system design serve the interests of our customers."

I question how "soundly" the system has been engineered if two of four water plants failed, apparently, due to freezing. Perhaps this is the "norm" with private water companies, but I doubt it." I have a home in Washington State in an HOA with some 500 homes, which has 4 wells, pumps, and two large water towers. In 14 years I am aware of no failures to the system due to freezing. It freezes more there than here.

Had the system at Goodman Water been soundly engineered it should have had some plan for freezing temps. There must be some type of heating or continuous circulation system available that could have been installed. Such was indicated in an article in the AZ Star on 2/14. The freeze which damaged a large valve in the playground area (with marked water loss there) should have been adequate warning for Goodman water to prepare for such a problem with freezing temperatures.

In addition, my confidence level in Goodman Water is low, as it has not done repairs to the area in Mountain Shadows Drive in front of one of your installations. Information at the HEAC meeting indicated Goodman Water had agreed to fix this problem as of October 2010. As this area doesn't have proper "wrip-wrap" sand, dirt and other debris continue to cover the sidewalk and spill on to the road. This creates a hazard for residents walking up and down the rather steep hill. This is a potentially dangerous situation and Goodman has not fixed it. (Not an outstanding example of "sound engineering").

Perhaps if Goodman had built the system for some 900+ home rather than building a system capable of supplying some 1800 home some better engineered devices could have been installed to prevent the 50% failure rate Goodman has recently experienced.

Also, I find it wasteful to send the note you sent. Printing and postage are expensive and, undoubtedly Goodman will try to pass these costs onto the customers. I think it is offensive that not one human signed your "note" or letter. The entire letter and its implications seem offensive, self serving and unhelpful.

Note. See the attached clippings from the Tucson paper (Arizona star) suggesting Tucson water did a good job after the freeze. I feel that GW did not. Also, note the article indicating the codes are lax in regard to building for colder weather.

6. I have great problems with GW's request for a greater than 10% return on their water company. We pay the highest rates in the area comparing ECR to Saddlebrooke and other surrounding areas with water companies. Many have documented this. This is just unfair. I feel the ACC should have some way of adjusting rates such that they are generally fair throughout the state and that they be reasonable. A 10%+ return is a dramatically

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higher rate that what has been achieved in even risky investments like the stock market which is said to yield 7%-9+% based on the source. (Remember the lost decade? We are seeing the results of it now!)

It would seem that traditional utility rates should be in line with "safe" investment like the 10 year Treasury returns - 2- 2.5% maximum. A 10% return will increase ECR rates by another 100%. This is grossly unfair. Social Security recipients have had no increase in the last two years. I doubt many working families in ECR have seen a 100% increase in their take home pay in the last few years. It has been reported that family incomes have not gone up during this extended recession.

Thus, I believe that the rate increase is unjustified as the GW has (1) overbuilt the system, has (2) not lived up to their obligations with regard to the monument area, and (3) has been specifically and generally not (3) performed on the obligations they have agreed to, eg, payments and hillside repairs.

In addition, (4) their request is grossly out of balance with current economic times. It appears they overbuilt in expectation of more homes sales and mismanaged their planning such that they can't operate an efficient and cost effective system for the current ratepayers. They took this risk and should bear its burden-not the ratepayers.

As they have done this I feel the ACC should not allow any increase and should reduce our rates by 50%. We should only pay for the system that supplies the initial 650 of 950 home- not 1850 plus commercial!

In addition I feel that GW should be decertified and that the rate payers be given the opportunity to contract with another company or have GW "bought out", taken over or otherwise combine with a neighboring company.

Thank you for allowing me to express my view at this meeting.

Wm S. T. Mayhall, MD
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Noted and filed for the record in Docket Control
End of Comments

Date Completed: 2/24/2011

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